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DRAFT REPORT ON THE ANNUAL SESSION
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IX. UNITED NATIONS DEVELOPMENT FUND FOR WOMEN

1. The Administrator introduced the report on the United Nations Development Fund for Women (UNIFEM) (DP/1995/16), and underlined the actions taken to strengthen programme, financial and managerial accountability with regard to UNIFEM while minimizing the anticipated financial shortfall. He was confident that, by undertaking strong management measures, UNIFEM was on a sound managerial footing as the Fourth World Conference on Women approached. The UNIFEM Consultative Committee had conveyed to him its support for a number of the proposed measures to put the Fund on a sound financial footing.

2. The predominent goal, the Administrator explained, was to eliminate the negative balance of general resources of UNIFEM by the end of 1997. The estimated shortfall had been revised downward since the second regular session of the Executive Board, largely through UNIFEM having received a higher level of contributions than expected and as a result of beneficial foreign exchange fluctuations. The projected general resources deficit stood at about $3 million in 1995.

3. As elaborated in the report, the Administrator stated that the primary responsibility for the lack of managerial oversight rested with UNIFEM. No fraud, waste or abuse of UNIFEM funds had occurred. He recognized that UNDP could have been more assertive in overseeing the financial management of the Fund and noted that UNDP was formulating ways to enhance the financial management of all programme funds that would be shared with the Board.

4. Components of the strategy to address the financial situation of UNIFEM were elaborated, including suspension of pipeline projects, reductions of budgets for existing projects and for administrative and technical support costs, intensive resource mobilization and identification of projects for co-financing. Measures to ensure responsible oversight in programme, financial and administrative matters were also outlined. The Administrator asked the Executive Board to authorize UNIFEM to proceed with its programme based on reasonable projections; to suspend the requirement for the operational reserve until the Fund was on a sound financial footing; and to approve the overdraft facility UNDP would provide on an as-needed basis.

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5. The Director of UNIFEM, in her opening remarks, stated that since the second regular session of the Executive Board, UNIFEM had made every effort to reduce expenditures. Information had been provided to members of the Board during informal consultations in May 1995. UNIFEM was now addressing a set of changes to restructure its programme and respond effectively to the needs of women while taking into account its mandate and its financial situation. The Director outlined measures being taken to cut administrative and programme costs. She explained that with regard to new projects, the ability of UNIFEM to respond to the outcome of the Fourth World Conference on Women would be crucial for its viability as an organization. The year 1995 thus presented opportunities that could not be missed for women in the developing world. The support of the Executive Board for the proposed line of credit and co-financing options would enable UNIFEM to undertake new activities to move the issues of women forward in a cost-effective way.

6. A draft decision was circulated at the outset of the discussion on the item. Many delegations said the draft presented a workable solution for the future of UNIFEM while some cited reservations based on certain aspects of the draft text.

7. Most delegations expressed support for the measures being undertaken by UNIFEM and UNDP to redress the management situation and said the proposed strategy offered assurances that a similar problem to the one experienced would not occur again.

8. Several delegations stressed that the accountabilty of individuals and the reasons for mismanagement and lack of oversight must be clarified. The matter would have to be reviewed at a future session of the Executive Board when the results of the ad hoc review committee were known. One delegation asked that UNDP provide the Board with information on the control of other funds and programmes at its third regular session 1995.

9. One delegation, supported by others, stated that the delay with which the Executive Board had been provided information on the matter was serious. The documentation presented to the Board included information that the deficit was reported internally in August 1994, but the Board was informed only in April 1995.

10. A number of delegations referred to the positive performance of UNIFEM and hoped that the measures would enable the Fund to resume its necessary role in assisting women in developing countries. In that regard, several delegations announced that their governments had increased their contributions to UNIFEM or intended to do so.

11. Delegations raised some reservations, as had the Board of Auditors, about a projected rise in income for UNIFEM, particularly in relation to anticipated administrative costs. While most delegations support the need of UNIFEM to undertake new activities following the Fourth World Conference on Women, one delegation cautioned that UNIFEM should not have the authority to begin new projects until the Executive Board was informed of positive results of the new measures.

12. Most delegations expressed support for the provision of an overdraft facility, with strict limits and controls, with some speakers noting reservations on the charging of interest for the use of the facility. Most also agreed that the requirement for an operational reserve should also be suspended. It was imperative that UNIFEM operate with full financing until it had been put on a sound financial footing. Co-financing opportunities, of an estimated $2 million in 1996, were also viewed favourably, with some delegations stressing that any UNDP involvement should be in line with the organization's priorities.

13. Other comments related to the need to reduce overhead in UNIFEM and the need to ensure that the outposting of the UNDP/DOF staff member to UNIFEM be temporary. One delegation asked for identification of the UNIFEM posts that were to be frozen.

14. Many delegations noted the key role of the external evaluation of UNIFEM, with some announcing that they were prepared to contribute financially to the exercise. One delegation asked that a report be submitted at the third regular session 1995 on the composition of the external evaluation team.

15. In response, the Administrator said income projections would be monitored and the Executive Board would be provided with progress reports. He also informed the Board that complete information on the extent of the situation had not been available in time to present it to the Board before the second regular session 1995. He assured the Board that the steps taken to delineate the respective responsibilities of UNIFEM and UNDP in finance and administration would prevent future problems.

16. The UNIFEM Director stated that significant de-commitments had taken place, severely affecting the work UNIFEM had aimed to carry out in many areas to benefit women in developing countries and in the Fund's advocacy role. She noted that those components of the administrative budget which were flexible, such as travel and communications, had been reduced. Of the scenarios for the future of UNIFEM provided in a conference room paper, it was explained that scenarios 2-5 were based on income remaining at the 1995 level. Options allowing for no new projects to be initiated would severely hamper the ability of the Fund to take advantage of opportunities presented by the Fourth World Conference on Women.

17. The Assistant Administrator and Director, Bureau for Finance and Administration, informed the Executive Board that the Administrator was fully accountable for UNIFEM, but managerial and financial responsibility had been delegated to the UNIFEM Director. As stated in the report, UNDP, as provider of central services to UNIFEM, should have been more proactive in addressing the financial situation of UNIFEM; however, that did not indicate in any way that UNIFEM had been regarded as a low priority.

18. The delegation of the United States informed the Board that, while it did not wish to block a decision, it could not join in the decision on UNIFEM for the reasons it had outlined during the discussion on the item.

19. The Executive Board adopted the following decision:

95/18. United Nations Development Fund for Women

The Executive Board

1. Authorizes the United Nations Development Fund for Women to proceed with its programme in keeping with the projections described in table 3 of document DP/1995/33 subject to the following conditions:

(a) Administrative expenditure should be reduced further to a level more consistent with its project activities while bearing in mind the need to retain a critical capacity for the Fund;

(b) Income projections should be kept under review and necessary steps should be taken and reported to the Board if the projections fall 10 per cent below the levels contained in table 3 of DP/1995/33;

(c) Effective financial and programme management procedures for both the United Nations Development Programme and the United Nations Development Fund for Women, including those recommended by the internal and external auditors, have been put in place as soon as possible and reported to the Executive Board not later than 1 January 1996;

2. Requests the Administrator of the United Nations Development Programme and the Director of the United Nations Development Fund for Women to implement the recommendations in the Management Letter of the Board of Auditors and to report on their implementation to the Board in the reports called for in paragraph 13 of the decision;

3. Also requests the Director of the United Nations Development Fund for Women to take personal charge of the periodic review of the financial statements identified in paragraph 59 of document DP/1995/33;

4. Authorizes the use of UNDP funds to cover, up to the limits specified in paragraph 5 below, the UNIFEM cash shortfall and requests the Administrator to establish for this purpose an overdraft facility for UNIFEM on the basis of the interfund accounts and to charge interest costs to UNIFEM for the use of this facility on a basis that will result in no gain or loss for UNDP;

5. Decides that this overdraft facility cannot be used for any new commitments incurred by UNIFEM after 1 January 1995, and that its utilization for prior commitments will be limited to the period 1995-1997, to a maximum drawdown of $4.5 million, with the proviso that the Administrator will report to it immediately if drawdowns exceed $3 million;

6. Suspends the requirements for the operational reserve until such time as it decides that the financial situation of UNIFEM is on a sound basis subject to the following conditions:

(a) That UNIFEM operates on a full funding basis for all new commitments incurred after 1 January 1995, ensuring that the total amount of

these new commitments is to be covered from its own resources, while recognizing that at the same time it may draw down on the UNDP overdraft facility, as required, within the limits specified in paragraph four above, to cover financial obligations incurred prior to 1 January 1995;

(b) That UNIFEM continues to calculate and report to the Board a notional operational reserve in order to ensure financial transparency;

7. Views with concern the absence of a satisfactory and timely explanation of the way the operational reserve was drawn down during 1994 and requests the United Nations Development Programme and the United Nations Development Fund for Women to provide one as soon as possible;

8. Decides that neither partial funding authority nor the operational reserve mechanism will be restored to UNIFEM until relevant control mechanisms have been thoroughly reviewed and new procedures have been put in place that will ensure, inter alia, the accurate calculation and regular updating of reserve levels, and the establishment of a system to provide sufficient early warning of any possible future drawdowns on the reserve;

9. Requests the Administrator to explore possibilities for the assumption and/or co-financing of relevant UNIFEM projects by UNDP, within the plans and priorities of UNDP and recipient governments;

10. Stresses the importance of establishing and maintaining a strengthened UNDP/UNIFEM interface, and requests the Administrator and the Director of UNIFEM to include information on this interface in their future reports to the Executive Board;

11. Endorses the Administrator's proposal to outpost one staff member from the UNDP Division of Finance to UNIFEM to assist in the monitoring of project funds and who will report to both UNDP/DOF and UNIFEM, without prejudice to the autonomy of UNIFEM, and without increasing UNIFEM administrative expenditures;

12. Requests the Administrator to bring its new Project Financial Management System online as soon as possible, incorporating enhancements to permit the recording of pipeline activity and shadow budgets, and calls for the Project Financial Management System to be established, at the earliest opportunity, as a common information system for both UNDP and UNIFEM, replacing the UNIFEM Budget Management System;

13. Also requests the Administrator to inform it of the measures taken once accountability for UNIFEM's current financial situation has been determined and of the steps taken to establish clear lines of accountability both within UNIFEM and between UNDP and UNIFEM;

14. Further requests the Administrator and the Director of UNIFEM to provide oral or written progress reports, as appropriate, on the implementation of the present decision to each session of the Executive Board in 1995 and 1996.

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X. UNDP: TECHNICAL COOPERATION AMONG DEVELOPING COUNTRIES

1. The Associate Administrator introduced the two reports submitted under this item: the report of the Administrator on technical cooperation among developing countries (DP/1995/36), which summarized activities during 1993-1994, and the report of the Ninth Session of the High-Level Committee on the Review of TCDC (New York, 30 May-2 June 1995) (DP/1995/L.5). The first document contained information on the new strategic direction undertaken by the Special Unit on TCDC and activities funded under Special Programme Resources, which had recently been the subject of an in-depth evaluation by outside consultants. The Associate Administrator then summarized the decisions adopted by the High-Level Committee, highlighting the review of the proposals on new directions for TCDC prepared by the Special Unit and the subsequent recommendations endorsed by the High-Level Committee.

2. The Rapporteur of the High-Level Committee read out the amendments to DP/1995/L.5 received following publication of the report. One delegation suggested additional amendments. The Rapporteur informed the Executive Board that the final report would be issued as a supplemental document to the fiftieth session of the General Assembly and thanked the Secretariat for its assistance during the High-Level Committee meeting.

3. The representative of the Philippines, on behalf of the Group of 77 and China, expressed strong support for the report of the High-Level Committee, cited the recent endorsement of TCDC modalities at international conferences as a boost to development efforts, and introduced amendments to the draft decision distributed to the Executive Board. Donors were thanked for their support. One delegation asked for information on the links between TCDC and national technical cooperation. Several speakers welcomed the more strategic approach of UNDP in TCDC and the practical proposals endorsed by the High-Level Committee. Two delegations expressed reservations about the proposed amendments to the draft decision and suggested that further consultations be held.

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XI. UNITED NATIONS OFFICE FOR PROJECT SERVICES

1. The Executive Director of the United Nations Office for Project Services (UNOPS) introduced the report on the implementation of decisions 94/32 and 95/1 on the United Nations Office for Project Services (DP/1995/37). He noted that the report should be seen in conjunction with the annual report of the Administrator for 1994 (DP/1995/30/Add.1). The 1994 UNOPS annual report was also distributed.

2. He informed the Executive Board that following the approval of the UNOPS Financial Regulations by the Board in January 1995, work had been initiated to establish dedicated UNOPS Financial Rules. Moreover, UNOPS was undertaking the preparation of agreements between UNDP and UNOPS, in line with Regulation 5.3, and a risk analysis study with the United Nations Office of Legal Affairs, as suggested by the Advisory Committee on Administrative and Budgetary Questions. UNOPS had established the Procurement Review and Advisory Committee, which had resulted in a reduction of the average turn-around time required for the review of proposed procurement actions by 50 per cent. A task force had been set up between UNDP and UNOPS to prepare two agreements establishing a division of responsibilities and labour between the two organizations, which were expected to be finalized by the end of 1995. One defined the new relationship between the two organizations and the other the nature and extent of central services that UNDP would render to UNOPS.

3. Several delegations voiced their appreciation of the additional and updated information provided by UNOPS. One delegation requested that in the future UNOPS issue comprehensive annual reports, with analysis of problems faced or foreseen. Several delegations asked for comments on the viability of UNOPS in light of its recent transition. More information on financial rules and regulations and on procurement activities was sought.

4. The Executive Director informed the Executive Board that future reports to the Board would combine the elements concerning UNOPS that had, in the transitional year, been presented separately in the report of the Administrator and in the report of the Executive Director, and that the analytical elements of UNOPS reports would be strengthened. The UNOPS Financial Rules, expected to be finalized by the end of 1995, would be circulated in advance of their promulgation, with Executive Board members given 30 days to comment. The ratio between actual implementation and available project budgets for 1994 was considered satisfactory. The Executive Director noted that UNOPS had lost a certain amount of business owing to the uncertainty of its situation during the discussions on its future, with an estimated loss of some $100-150 million worth of business. While there was reason for concern as regarded the existing portfolio for 1996 and beyond, UNOPS was hopeful of attracting new and non-traditional business through United Nations agencies, an initiative that had so far garnered considerable interest owing to its recognized delivery capacity. UNOPS had established contacts with the United Nations Centre on Human Settlements with a view to cooperating in programmes that promoted sustainable human development, particularly at municipal levels. UNOPS was committed to giving prompt service for implementation and value for money while striving to lower its administrative costs. The Executive Director stated that he would keep the Executive Board informed as the various issues evolved.

5. The Executive Board took note of the report on the Office of Project Services (DP/1995/37).

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XII. HUMAN DEVELOPMENT REPORT

1. The Associate Administrator introduced the report on the Human Development Report (DP/1995/34). He informed the Executive Board that the 1995 Report had been completed and would be launched on 17 August 1995. An advance copy would be shared with the Executive Board in early July 1995. He said that UNDP hoped that by supporting the production of a report that retained the essential element of editorial independence, a contribution to the debate on development issues could continue, without prejudice or predetermination of the character of the UNDP programme. A number of steps had been taken to structure the review process to enhance the accuracy and quality of the analysis as well as its intellectual integrity. The statistical accuracy of the Report had also been improved through work with international agencies who had responsibilities for standardizing and harmonizing international data sets. Three rounds of consultations with Member States had been held during the previous year. Advisory panels and peer reviews were also introduced.

2. Several delegations emphasized the importance and usefulness of the Human Development Report as a tool for furthering human development, particularly in its current context. Its role in determining trends in development was also noted. Several speakers underlined the need for its editorial independence. Others praised the increased transparency of the process and the increased accuracy of the Report. Several speakers cited the national attention in their countries to the Report, particularly when translated into the official language of that country. The Report garnered much favourable media attention.

3. Some speakers asked for more information regarding the consultations held during the previous year. One delegation stressed that the Executive Board should have a greater role in the finalization of the report given UNDP funding of the Report and sought clarification on the status of funding of the Report by UNDP. The same delegation noted that it would have preferred that the Board adopt a decision reflecting the above instead of only taking note of the Report.

4. One delegation asked how the findings of the Report helped developing countries in practical terms, including assistance with programming and identification of problems. Information on the topics of future reports and summaries of the first five reports were requested.

5. Several delegations noted that the use of statistics in the Report had been strengthened and expressed support for the addition of a statistician to the Human Development Report Office.

6. The Associate Administrator detailed the consultative process leading up to publication of the 1995 Human Development Report. He explained that since the Report was not an intergovernmental document it did not need to be fully endorsed by an intergovernmental body. He informed the meeting that the two eminent consultants working in relation to the report in 1995 were Ms. Margaret Catley-Carlsson, President of the Population Council and Professor Lincoln Chin, Director of Population and Development Studies at Harvard University.

7. The Director of the Human Development Report Office explained that the goal of the office was to build on past strengths and eliminate perceived weaknesses. Data was a principal area of preoccupation with a continuing process needed. Statistics and data were collected at the country level and a global effort was needed to improve indicators. Data used in the report was the latest and most viable but weaknesses reflected differences at the country level.

8. The Executive Board took note of the report on the Human Development Report (DP/1995/34).